

# MI-1040 H SCHEDULE OF APPORTIONMENT

Issued under the authority of P.A. 281 of 1967. Filing is mandatory.  
Failure to file subjects you to penalty and interest.

19

Please read the instructions on the back before completing this form.

Attachment Sequence No. 10

PART 1:  
IDENTIFICATION

Your First Name, Middle Initial and Last Name	Your Social Security Number
Name of Business Entity	Federal Employer ID Number (FEIN)

\* Property Factor

1. Average Michigan property ..... 1. \$ .....00
2. Michigan rentals x 8 ..... 2. \$ .....00
3. Total Michigan property (add lines 1 and 2) ..... 3. \$ .....00
4. Average total property ..... 4. \$ .....00
5. Total rentals x 8 ..... 5. \$ .....00
6. Total property (add lines 4 and 5) ..... 6. \$ .....00
7. Percentage (DIVIDE line 3 by line 6) ..... 7. \_\_\_\_\_ %

Payroll Factor

8. Michigan payroll ..... 8. \$ .....00
9. Total payroll ..... 9. \$ .....00
10. Percentage (DIVIDE line 8 by line 9) ..... 10. \_\_\_\_\_ %

\*\* Sales Factor

11. Michigan sales ..... 11. \$ .....00  
(See instructions regarding throwback sales.)
12. Total sales ..... 12. \$ .....00
13. Percentage (DIVIDE line 11 by line 12) ..... 13. \_\_\_\_\_ %

Percentage

14. Total percentage (ADD lines 7, 10 and 13) ..... 14. \_\_\_\_\_ %
15. Apportionment percentage (divide line 14 by 3) ..... 15. \_\_\_\_\_ %

If you have less than 3 factors, divide by number of factor(s). Number of factors are those factors (property, payroll or sales), that have denominators (lines 6, 9 or 12, respectively) greater than zero.

\* Property owned is to be valued at original cost. Annual rental expenses for the use of real and tangible personal property less any annual subrental receipts are to be multiplied by 8 and included in the property factors.

\*\* Sales factor includes all business receipts. Nonbusiness income must be allocated. SEE INSTRUCTIONS CONCERNING THE COMPUTATION OF MICHIGAN RECEIPTS.

PART 3:  
COMPUTATION OF INCOME  
ATTRIBUTABLE TO  
ANOTHER STATE(S)

16. Business income included in adjusted gross income that is subject to apportionment (include ordinary and portfolio income, and all other business income) ..... 16. \$ .....00
17. Apply percentage from Part 2, line 15 to amount on Part 3, line 16 ..... 17. \$ .....00
18. Income attributable to another state(s). Subtract amount on line 17 from line 16. Enter here and on MI-1040, Schedule 1, line 11 ..... 18. \$ .....00

# INSTRUCTIONS FOR FORM MI-1040H SCHEDULE OF APPORTIONMENT

**Caution:** There are several differences when computing apportionment factors for income tax and single business tax. The standards for determining taxability in another state and throwback sales are not the same. For income tax the property factor is based on property owned and used.

Business income from business activity that is taxable both within and outside Michigan is apportioned to Michigan by multiplying the income by a fraction determined as follows:

$$\frac{\text{Property Factor} + \text{Payroll Factor} + \text{Sales Factor}}{3}$$

Use the factors of the business entity having the multistate activity. The Michigan income tax statute uses the standards prescribed by federal Public Law (PL) 86-272 to determine if a taxpayer is taxable in another state.

A taxpayer's income is taxable in another state if:

1. In that state the taxpayer is subject to a net income tax; a franchise tax measured by net income; a franchise tax for the privilege of doing business; a corporate stock tax, or
2. That state has jurisdiction to subject the taxpayer to a net income tax regardless of whether the state does or does not.

## PROPERTY FACTOR

The average value of the **real** and **tangible** personal property owned or rented and used in Michigan during the tax year is divided by the average value of **all** the real and tangible personal property owned or rented and used during the year. Do not include idle property or construction in progress. Exclude all real and tangible personal property used to produce nonbusiness income.

"Tangible personal property" means machinery, tools, implements, equipment, goods, wares and merchandise.

Property owned is valued at its original cost.

Property rented is valued at eight times the "net annual rental rate" which is the annual rental rate paid less any rental rate received from subrentals.

## PAYROLL FACTOR

The amount paid for compensation in Michigan during the tax year is divided by the total compensation paid everywhere during the tax year.

For purposes of apportionment, "compensation" means wages as defined in Section 3401 of the Internal Revenue Code (IRC) and other payments as provided in Section 3402 of the IRC. Exclude all amounts paid for services that were performed to produce nonbusiness income.

Compensation is paid in Michigan if:

1. The individual's service is performed entirely in Michigan, or

2. The individual's service is performed both in Michigan and in another state(s), but the service performed outside Michigan is incidental to the individual's service in Michigan, or
3. Some of the service is performed in Michigan and
  - a) the base of operations or the place from which the service is directed or controlled is in Michigan, or
  - b) the base of operations or place from which the service is directed or controlled is not in any state in which some part of the service is performed, but the individual's residence is in Michigan.

## SALES FACTOR

Divide the total sales in Michigan during the tax year by the total sales everywhere during the tax year.

"Sales" includes gross receipts from sales of tangible property, rental of property and providing of services that constitute business activity. Exclude all receipts of nonbusiness income.

**Note:** Throwback sales for individual income tax follow federal PL 86-272 standards. The business must have physical property in the other state or activity beyond solicitation of sales in order to exclude sales into another state or country from the numerator. The Michigan income tax act definition of "state" includes a foreign country. Therefore, foreign sales are considered Michigan sales unless the business entity is taxable in the foreign country.

Sales of tangible personal property are in this state if:

1. The property is shipped or delivered to a purchaser (other than the United States government) within Michigan regardless of the free on board (F.O.B.) point or other conditions of the sale, or
2. The property is shipped from an office, store, warehouse, factory or other place of storage in Michigan and the purchaser is the United States government or the taxpayer is not taxable in the state of the purchaser.

Sales (other than of tangible personal property) are in Michigan if:

1. The business activity is performed in Michigan, or
2. The business activity is performed both in Michigan and in another state(s), but based on cost of performance, a greater proportion of the business activity is performed in Michigan.

There are special formulas for transportation companies and other authorized taxpayers. Those formulas are identified in Chapter 3 of the Income Tax Act.